

Message Text

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PAGE 01 BUENOS 06105 201759Z

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ACTION ARA-10

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 7163

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E.O. 11652: N/A

TAGS: EINV, AR

SUBJ: SETTLEMENT OF CSEA/ITT INVESTMENT PROBLEMS

REF: BUENOS AIRES 5877

1. VICE PRESIDENT GUILFOYLE OF ITT AND CSEA PRESIDENT GABRIELLONI CALLED ON AMBASSADOR SEPT 15 TO REPORT THAT GOA WAS THAT DAY CARRYING OUT TERMS AS AGREED BETWEEN ADVISORY COMMITTEE AND CSEA/ITT EVEN THOUGH DECREE OF APPROVAL NOT YET PUBLISHED BOLETIN OFFICIAL. SILVERS OF ITT WAS ALSO IN BUENOS AIRES AT CENTRAL BANK WITH ITT ATTORNEYS RECEIVING BOND CERTIFICATE.

2. ITT RECEIVED, AS PREVIOUSLY AGREED, \$43.9 MILLION IN EXTERNAL BOND CERTIFICATES. ACTUAL BONDS, TO BE ISSUED BY OCT 31, EARN INTEREST FROM AUG 1, 1976. ALSO EQUIVALENT AT AGREED RATE OF 252 PESOS PER DOLLAR, OF \$15.5 MILLION IN GOA NATIONAL ADJUSTABLE BONDS AT MARKET QUOTATION OF SEPT 14. UPON RECEIPT OF EXT. BONDS, ITT HAS AGREED SUBSCRIBE TO ANOTHER \$21.9 MILLION OF GOA EXTERNAL BONDS. ON THE OTHER SIDE, ENTEL HAS AGREED ASSUME ABOUT \$4.6 MILLION OF CSEA DEBT TO SEVERAL EUROPEAN CREDITORS ARISING FROM THE FORMER CONTRACT.

3. SHERATON HOTEL, FULLY OWNED BY ITT, LEFT ENTIRELY OUT OF SETTLEMENT AND REMAINS IN ITT HANDS.

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PAGE 02 BUENOS 06105 201759Z

4. AS FOR FUTURE, GENERAL NIETO, SECRETARY OF COMMUNICATIONS, HAS REQUESTED CSEA MAKE PROPOSAL FOR CONSTRUCTION OF ADDITIONAL TELEPHONE LINES AND FRAMES WHICH WOULD AMOUNT TO \$74 MILLION OF BUSINESS OVER A TWO YEAR PERIOD. GABRIELLONI ESTIMATES THAT CONTRACT MAY BE SIGNED BY BEGINNING OF NOVEMBER AND THAT NORMAL CSEA WORK FORCE MAY BE FULLY EMPLOYED BY END OF YEAR. WITH OTHER WORK ON HAND AND ANTICIPATED, GABRIELLONI EXPECTS PLANT MAY HAVE TO EXPAND LABOR FORCE AROUND FEB/MAR 1977.

5. ITT, ACCORDING TO GUILFOYLE, SATISFIED WITH OUTCOME AFTER FOUR YEARS OF PROBLEMS AND NEGOTIATIONS, AND BELIEVES DECISION TO HOLD ON TO PLANT RATHER THAN SELL ALL OR PART OF EQUITY WILL PROVE TO HAVE BEEN CORRECT. GUILFOYLE, AS HAD ITT ATTORNEY LIFSEC, NOTED ESPECIALLY FORTHCOMING AND BUSINESSLIKE MANNER IN WHICH GOA HAD CARRIED FORTH SETTLEMENT, ONCE AGREEMENT REACHED. (NO DOUBT THROUGH OVERSIGHT, GUILFOYLE FAILED ACKNOWLEDGE THAT DEPARTMENT AND EMBASSY MAY HAVE BEEN OF SOME ASSISTANCE TO ITT/CSEA DURING COURSE OF LAST FOUR YEAR'S EVENTS).

6. SETTLEMENT WITH SIEMENS, ALONG SAME GENERAL LINES BUT WITH MUCH SMALLER AMOUNT INVOLVED, WAS ACCOMPLISHED FEW DAYS EARLIER.

7. EMBASSY WILL FORWARD COPY OF OFFICIAL DECREE APPROVING ITT/CSEA AGREEMENT WITH AD HOC COMMITTEE UPON PUBLICATION IN OFFICIAL BULLETIN.
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